

**TUKMAN CAPITAL MANAGEMENT, INC.**  
**DOMESTIC EQUITY: S&P 500 BENCHMARK**

FOR THE MONTH OF:                      **AUGUST**                      **2006**

**MANAGER PERFORMANCE CALCULATIONS**

\* Annualized returns

	Last <u>Month</u>	Last <u>3 Months</u>	Last <u>1 Year</u>	Last <u>3 Years*</u>	Last <u>5 Years*</u>
Tukman	3.24%	3.94%	7.70%	5.36%	2.86%
S&P 500	2.38%	3.15%	8.90%	10.96%	4.65%

**PORTFOLIO ATTRIBUTES**

<u>Characteristics</u>	<u>Tukman</u>	<u>S&amp;P 500</u>	<u>Sector Analysis</u>		
Mkt Value (\$m)	263.50	N/A	<u>Over-weight</u>	<u>Tukman</u>	<u>S&amp;P 500</u>
Wtd Cap (\$b)	136.90	86.40	Cons Staples	23.10%	7.90%
P/E	16.50	18.00	Cons Disc	16.60%	11.60%
Beta	0.80	1.00	Technology	20.20%	12.10%
Yield (%)	1.92	1.90			
Earnings Growth	11.20	11.90	<u>Under-weight</u>	<u>Tukman</u>	<u>S&amp;P 500</u>
			Energy	0.00%	11.00%
			Utilities	0.00%	23.00%
			Healthcare	7.00%	12.60%

**PERFORMANCE ATTRIBUTION & STRATEGY COMMENTS**

TCM portfolio outperformed the S&P 500 Index for the month and quarter, bringing the performance results to nearly even with the S&P 500 index for the first eight months of the year. The top performing stocks were Procter & Gamble, Gannett, ADP and Microsoft. P&G increased profits by 36% boosted by strong product sales and volume increases. P&G revenues were up 25%. Gannett stock has been experiencing poor performance due to a weak advertising environment, but rebounded on news of revenue increases. ADP was up on a 170% increase in profits due to the divestiture of the claims service business. Microsoft rallied when it announced plans to buy back \$40 billion in stock through a tender offer. Wells Fargo, Goldman Sachs and Disney all declined for the month. Wells Fargo declined as the bank restructured its debt portfolio due to interest rate changes. Goldman had very strong profits, but shares fell as investors become concerned about a general decline on Wall Street. Second quarter GS revenue also declined slightly. Disney shares leveled off after an early summer rally as investors now wait to see if the strong showing in the movie, television and theme park businesses will continue into the fall. During the month, we trimmed Microsoft and Pepsi on strength. We did not make any purchases.

For the last three months Microsoft, P&G and Pepsi have posted the strongest returns. Pepsi's non-carbonated drink volumes increased during the hot summer months. The worst performing companies were Wal-Mart, GS and Disney. Wal-Mart experienced profit declines due to the sale of its German business and higher energy prices.

**MANAGER STYLE SUMMARY**

*Tukman's investment strategy is "Concentrated Quality GARP" (Growth At a Reasonable Price), whereby the portfolio is a concentrated mix of about 10-20 large capitalization stocks of quality companies who are leaders in their sectors, have demonstrated consistent earnings growth, have clear prospects for future earnings growth, and trade at values at or slightly below the average S&P 500 company. This style is similar to that of Warren Buffet. Due to the portfolio concentration, it tends to be more volatile than other widely diversified portfolios. Consequently, they can lag significantly behind their benchmark for a period of time, then rapidly make up the difference and/or outperform relative to their benchmark.*

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**PORTFOLIO GUIDELINE COMPLIANCE**

AUGUST

2006

Portfolio Guideline:	S&P 500	Tukman	Calc	Min	Max	Compliance
B2. Security Market Cap (in \$m)						ok
B3. Wtd Avg Cap > \$10 billion						ok
B4. Number of issues		16		10	20	ok
B5. Security Positions <= 15% @ purchase						ok
B6a. P/E (projected)	19.00	16.50	1.2	0.8	1.3	ok
B6b. Beta	1.00	0.80	1.3	0.8	1.3	ok
B6c. Yield	1.86	1.92	97%	50%	150%	ok
B6d. Expected Earnings Growth	11.90	11.20	1.1	0.7	1.3	ok
E2. Commissions not to exceed \$0.05/share						ok
E3. Annual Turnover		9%		5%	45%	ok
The portfolio is in compliance with all other aspects of the Portfolio Guidelines					<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

**MANAGER EXPLANATIONS FOR DEVIATIONS FROM PORTFOLIO GUIDELINES**

There were no deviations.

**ORGANIZATIONAL/PERSONNEL CHANGES**

None

**ACCOUNT TURNOVER**

Gained:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
Lost:	Number of Accounts:	2	Total Market Value (\$m):	\$	128.0
Reason(s): Performance and new staff that is implementing a new asset allocation and manager structure.					